2019 Independent Business Survey

INSTITUTE FOR Local Self-Reliance

July 2019

About the Institute for Local Self-Reliance

The Institute for Local Self-Reliance (ILSR) is a 45-year-old national nonprofit research and advocacy organization that provides innovative strategies, working models, and timely information to support strong, community rooted, environmentally sound, and equitable local economies. More at www.ilsr.org.

Related work from the Institute for Local Self-Reliance, available at www.ilsr.org:

Independent Retailers and the Changing Retail Landscape: Findings from a National Survey (Nov. 2017)

2016 Independent Business Survey (Feb. 2016)

Monopoly Power and the Decline of Small Business (Aug. 2016)

Amazon's Stranglehold: How the Company's Tightening Grip on the Economy Is Stifling Competition, Eroding Jobs, and Threatening Communities (Nov. 2016)

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Executive Summary

As we have documented in previous surveys, independent businesses have proven nimble during a period of dramatic shifts in technology and consumer habits. Much of their resilience can be traced to the distinct benefits they provide to their customers, industries, and communities.

Yet, despite these competitive advantages and their broader importance to the U.S. political economy, independent businesses are under threat and declining in most industries. The findings of our *2019 Independent Business Survey* suggest that the problem isn't changing technology or consumer habits. Instead, independent business owners say they are often competing on a unlevel playing field. Many public policy decisions in recent years have fueled market concentration and favored their big competitors.

This survey's findings shed light on these challenges and policy issues. In their comments, business owners also offer insight and guidance to elected officials looking to build a more equitable, entrepreneurial, competitive, and dynamic economy.

More than 1,000 independent businesses nationwide participated in this survey. Retailers made up about half of the responses, while the remainder represented a mix of industries, from service providers to manufacturers, banks, wholesalers, and more. In addition to the main questions, business owners provided hundreds of written responses on various topics. We analyzed these for additional insights and quoted a representative sample in this report.

Top Challenges — Among the independent retailers surveyed, Amazon overwhelmingly ranked as the top threat to their businesses, with 75 percent of respondents rating the danger posed by the tech giant as significant or extremely significant. They reported that their second biggest challenge is that their suppliers are providing more favorable pricing and terms to large retailers. Coming in third was the high cost of healthcare.

Among non-retail businesses, the cost of healthcare was the top concern, followed by the difficulty of finding qualified employees, followed by competition from big corporations.

Amazon — When asked to assess the overall effect of Amazon, 93 percent of independent retailers surveyed indicated that Amazon has negatively impacted their revenue, with more than half describing the degree of impact as "significant."

Many of these retailers not only compete with Amazon; they also rely on its Marketplace to reach consumers. In comments, respondents noted that, given Amazon's dominance in online shopping traffic, they felt they had little choice but to sell on its platform. Yet, only seven percent of those who did reported that it was having a positive impact on their bottom line.

Of those selling on Amazon's platform, 11 percent described their experience as broadly successful, while 18 percent said their experience had been unsuccessful. Another 71 percent described their experience as neither successful nor unsuccessful, reporting that their Amazon sales generated additional revenue but only enough to make up for the cost of selling on the platform.

The most cited reason for this lack of success was the size of the fees Amazon charges third-party sellers, a factor named by 60 percent of respondents. More than one-third reported that "Amazon sells the same products and competes against me."

Concentration: Mergers, Swipe Fees, and the Digital Ad Market — Growing concentration among suppliers was identified by respondents as a major factor undermining their ability to compete. With fewer suppliers of key goods and services, independent businesses reported paying higher prices and having a more difficult time negotiating reasonable terms.

One area of concentrated supply that's of significant concern to independent businesses is credit and debit card processing. Survey respondents reported that they are spending an average of more than three percent of their total revenue on swipe fees.

Another area of concentration affecting independent businesses is the digital ad market. Facebook now captures one-quarter of their total marketing budgets, respondents said.

Affordable Space — The high cost of leasing or buying space was rated as a significant challenge for one-quarter of survey respondents. This was notably higher for those located in cities. Among urban businesses, 52 percent said that commercial rents have been rising faster than their sales.

Access to Loans — Many independent entrepreneurs are having a hard time securing financing to grow. Of those who sought a business loan in the last two years, 41 percent were either unable to obtain one or received a loan for less than the amount they needed. This figure was higher for businesses that are new, smaller, minority-owned, or women-owned.

In comments about their experiences applying for financing, respondents who approached community banks reported more positive experiences, while almost all of those who applied to one of the "Big Four" megabanks reported negative experiences.

Top Public Policy Issues — Regulating credit card swipe fees and healthcare policy ranked as the top issues for all businesses. Among independent retailers, other top issues included Internet sales taxes, corporate subsidies, labor requirements, and antitrust policy.

Independent businesses expressed strong support for stepped up antitrust enforcement. When asked whether they think "regulators should more vigorously enforce antitrust laws against large, dominant companies," 66 percent agreed, while seven percent disagreed. Asked to evaluate the job the antitrust enforcement agencies are doing in their own industries, a large majority, 70 percent, of those who offered a rating said "very poorly" or "poorly." Only six percent rated antitrust officials as doing their job "well" or "very well."

With regard to Amazon in particular, 70 percent of respondents said that federal and state antitrust regulators should investigate the company's market power and behavior. Only six percent disagreed.

More than 90 percent of respondents support legislation in their state to cap the dollar value of economic development incentives that big companies can receive.

Given the importance of these issues to the future of independent businesses, it's not surprising that half of respondents reported advocating either frequently or occasionally on public policy issues that affect their businesses.

Who We Surveyed and How We Conducted This Survey

The Institute for Local Self-Reliance's 2019 Independent Business Survey *gathered data from 1,017 independent businesses across a range of industries. Retailers made up about half of the responses, while the remainder included service providers, manufacturers, farmers, banks, restaurants, wholesalers, and more. Participating retailers included booksellers, fabric and sewing supply stores, toy stores, clothing stores, sporting and outdoor retailers, hardware dealers, and grocers, among many others.*

Businesses from nearly all fifty U.S. states participated, across a variety of community types from urban to rural areas. They range in age from newer start-ups founded within the last five years, which comprised about one-quarter of the respondents, to some that were started more than a century ago, with a median business age of 13 years. Together, they employ nearly 15,000 people. About two-thirds are majority-owned by women, nearly ten percent are majority-owned by people of color, and a smaller share of participating businesses are immigrant-owned (two percent), veteran-owned (five percent), and LGBTQ-owned (six percent).

In addition to answering a variety of basic survey questions, business owners provided hundreds of written responses, many quite detailed, to open-ended questions about market consolidation, access to capital, and e-commerce, among other topics. We analyzed these qualitative responses for additional insights that are described in this report.

The survey was conducted online in April and May 2019. It was distributed to the members of several national associations, including the American Booksellers Association, American Specialty Toy Retailing Association, Brixy, Independent Office Products and Furniture Dealers Association, Running Industry Association, and The Fabric Shop Network. It was also distributed to the members of numerous city- and state-wide independent business organizations around the country.

Overview: State of Independent Businesses

As we documented in a previous survey, in 2017, independent businesses have proven surprisingly resilient during a time of considerable upheaval.[1] Amid seismic shifts in technology and consumer habits, which have crippled an array of larger companies, many independent businesses have managed to hang on and even prosper.

Much of this resilience can be traced to the distinct advantages and benefits that independent businesses provide to their customers, industries, and communities. These small enterprises play an outsized role in creating new innovations and bringing new ideas and products to market. They outperform their larger competitors on key performance measures, often because of the edge they gain by having direct relationships with their customers and deep knowledge of their products and industries.[2] Most importantly, a healthy independent business sector helps to distribute wealth and opportunity broadly, and contributes in essential ways to sustaining a vibrant democracy, according to a growing body of scholarship.[3]

Yet, as this survey documents, despite their critical market contributions and broader importance to the U.S. political economy, independent businesses face major barriers to starting and growing. They're often competing on a playing field that is far from level. Many public policy decisions in recent decades have favored large corporations, at the expense of open markets and fair competition. As a result of these decisions, even as independent businesses demonstrate their nimbleness and adaptability, they're operating in a broader policy environment that hobbles their ability to succeed. In the last decade, the number of independent businesses has fallen sharply across many sectors of the economy. The rate at which new businesses are forming has also plummeted.[4]

This survey sheds light on the barriers and policies that are impeding the success and growth of independent businesses. Its findings offer insight and guidance to elected officials and citizens looking to spur entrepreneurship and build a more equitable, competitive, and dynamic economy.

Even as they demonstrate their nimbleness and adaptability in the face of shifting dynamics, independent businesses are operating in a broader policy environment that hobbles their ability to compete.

How Independent Businesses Rank Their Top Challenges

Independent retailers overwhelmingly ranked Amazon as their top concern. Among non-retail businesses, the cost of healthcare was the top concern.

The survey asked respondents to rate the significance of more than a dozen challenges they face on a scale of 1 to 5, with 1 being not at all challenging and 5 being an extremely significant challenge.

Independent retailers overwhelmingly ranked Amazon as their top concern. Their second biggest concern is that their suppliers are charging them higher prices, or offering them less favorable terms, than they give to large retailers. Coming in third was the high cost of healthcare.

Among non-retail businesses, the cost of healthcare was the top concern, followed by the difficulty of finding qualified employees, followed by competition from big corporations.

Amazon significantly outweighed most other concerns for independent retailers. This challenge received an average score of 4.16, with a large majority of respondents – 75 percent – citing this as a significant challenge, giving it a score of either a 4 or 5.

The second biggest challenge cited by independent retailers – that their large competitors receive better pricing and terms from suppliers – received an average score of 3.81 in the ranking. Two-thirds rated this as a significant challenge.

Although the cost of healthcare was eclipsed by concerns about both Amazon and unfavorable supplier terms and pricing, it still ranked as a major concern among independent retailers. This issue received a score of 3.49 and 60 percent gave it either a 4 or 5.

While non-retailers ranked healthcare costs as their top concern, the share who rated this challenge as significant (giving it 4 or 5 on the scale) was 59 percent, almost equal to the share of retailers who reported the same.

Share of Independent Retailers Rating Their Top Challenges

Source: Institute for Local Self-Reliance, *2019 Independent Business Survey*

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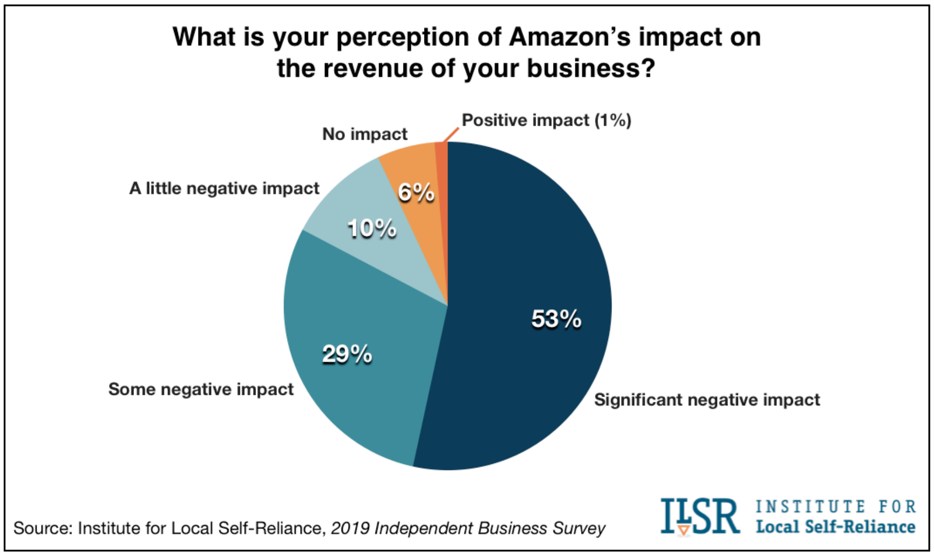
Competing With and Selling on Amazon

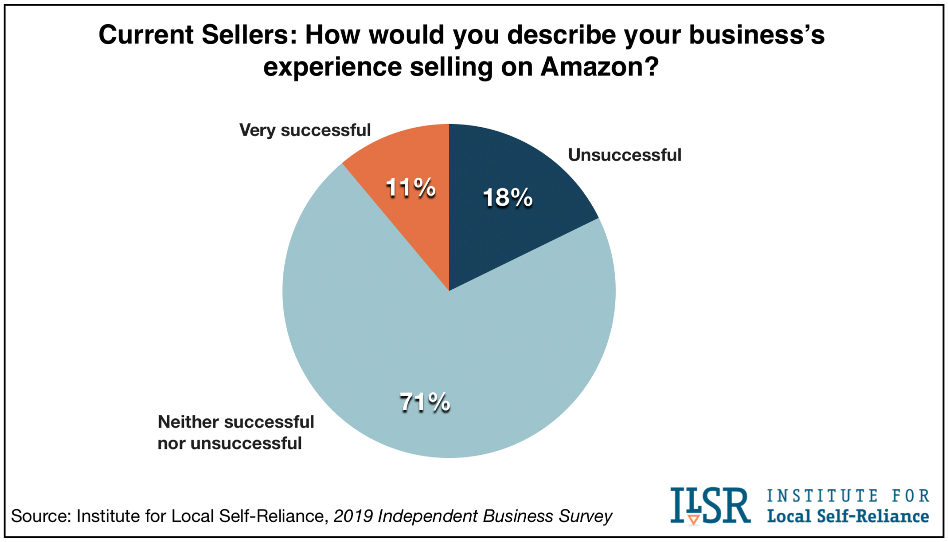
Respondents were asked a series of questions about competing with Amazon and being a third-party seller on its Marketplace platform.

When asked to assess the overall effect that Amazon has had on their business, a very large majority of retailers (93 percent) indicated Amazon has negatively impacted their revenue, with more than half describing the degree of impact as “significant.” Only one percent said Amazon had positively impacted their revenue.



In comments, survey respondents described Amazon’s impact with words and phrases such as, “significant,” “devastating,” “single biggest threat,” “single biggest challenge,” and “single largest impediment to… success.”

In addition, survey questions sought to understand the experience of independent retailers as third-party sellers on Amazon’s Marketplace. About 1 in 6 of the more than 550 retailers who participated in the survey have sold their products through Amazon’s platform.



Among those currently selling on Amazon's Marketplace, only seven percent reported that doing so is having a positive impact on their income.

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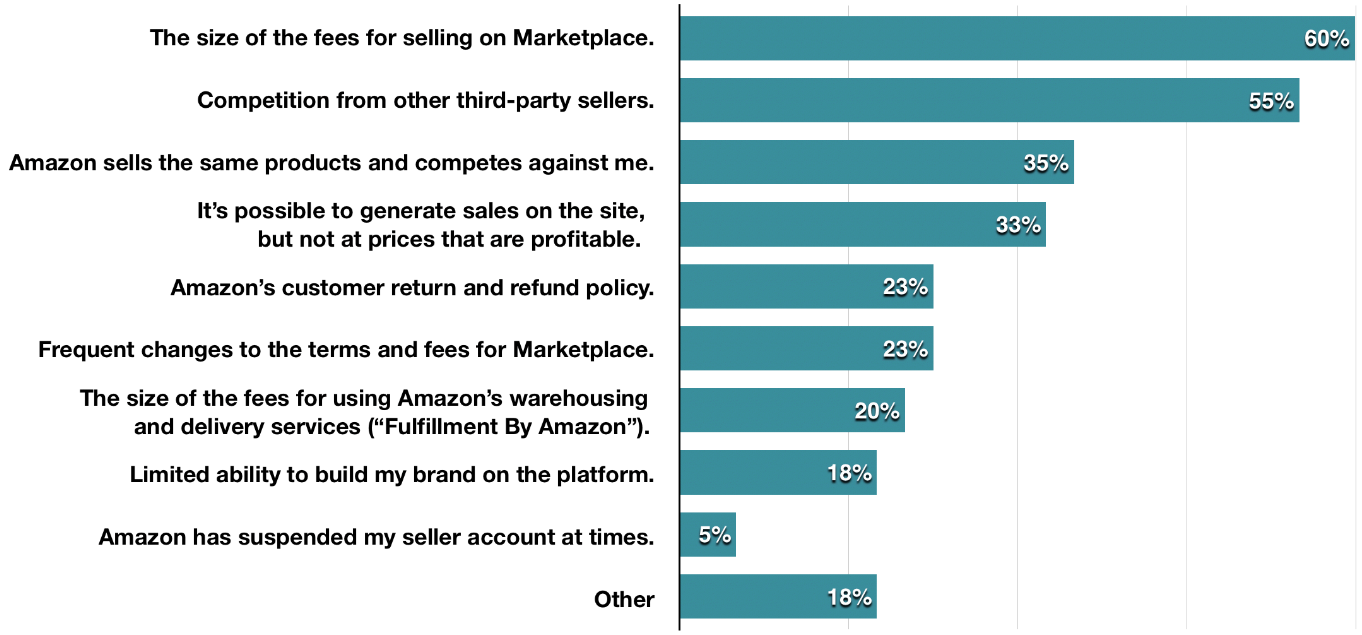
In the comments, one theme that surfaced repeatedly was that Amazon's large market share has left sellers with little choice but to sell on its platform, at least for those seeking to reach shoppers online. One business owner noted that her business sells on the platform "out of necessity," while another said that "we are stuck with them [Amazon] when it comes to selling" online, given few alternatives. "If we had the choice, we would rather not be selling on the Marketplace," said a bookseller from Minnesota.

Of those currently selling on Amazon, 11 percent described their experience as successful, while 18 percent reported that their experience has been unsuccessful. Another 71 percent described their experience as neither successful nor unsuccessful, with Marketplace sales generating some additional revenue but only just enough to make up for the cost of selling on the platform.

Current third-party sellers who expressed unsuccessful or only partly successful experiences were asked to indicate which factors make it hard for their businesses to succeed on Amazon's platform. The two most cited reasons were the size of the fees for selling on Marketplace (60 percent) and competition from other third-party sellers (55 percent). More than one-third (35 percent) cited the fact that "Amazon sells the same products and competes against me."

What factors make it hard for your business to succeed on Amazon's platform?



Source: Institute for Local Self-Reliance, *2019 Independent Business Survey*

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In comments, several sellers noted that Amazon has increased the fees charged to sellers. "We have a smaller return on investment now than we did a decade ago, in large part because of fees for both sales and FBA," noted a retailer in Los Angeles, referring to Amazon's warehousing and order fulfillment services. "Amazon continues to squeeze seller profits," a retailer from Florida commented.

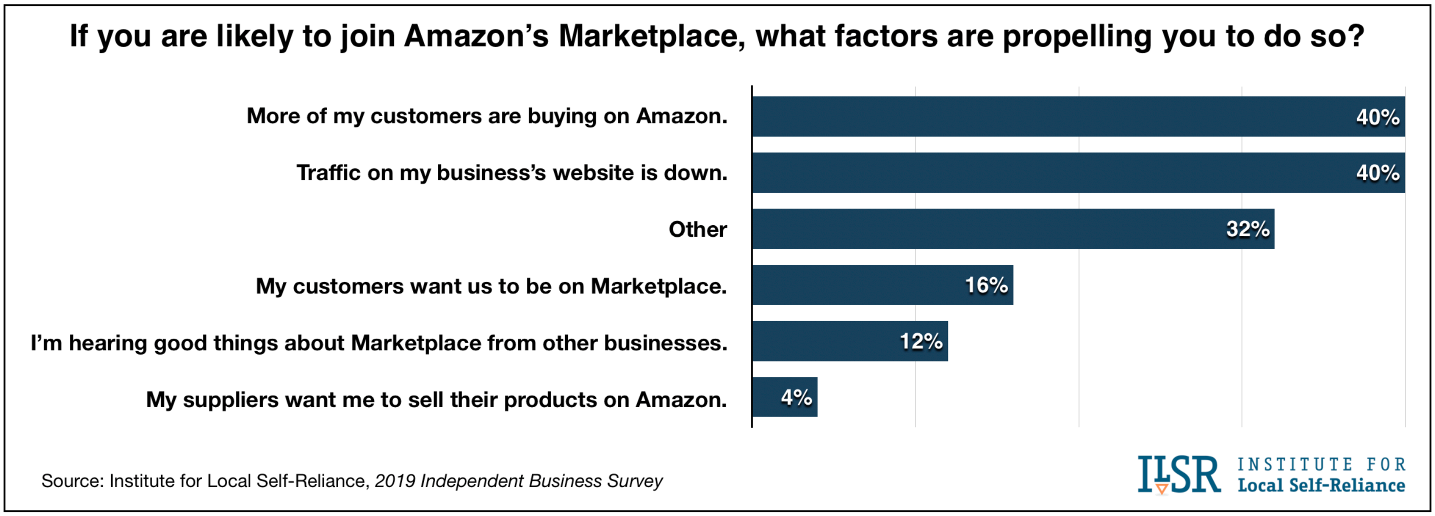
Others described abrupt decisions by Amazon that had disrupted their businesses. "They [Amazon] suspended our account and there was no recourse," said a retailer in Massachusetts.

11 percent of current sellers described their experience on the platform as very successful. They cited increased customers and wider geographic reach as the main factors.

The survey asked retailers who used to be Marketplace sellers, but are no longer, to indicate which reasons caused them to stop selling on Amazon.

A majority (57 percent) reported that the size of fees Amazon charges made their products neither price-competitive nor profitable. The next most common reason (43 percent) was that retailers' views about the company led them to want to stop doing business on the platform. Other barriers included Amazon's frequent changes to its terms and fees, and the fact that Amazon "sells the same products and competes against me."

Among independent retailers that are neither current nor former third-party sellers on Amazon, a large majority (89 percent) indicated they are unlikely or very unlikely to join the platform in the next year. "I am afraid to sell on Amazon because I hear rumors that if something is selling well they notice and then figure out a cheaper way to sell the same items for less. We need to break up Amazon, so they are not both the Selling Platform and the Seller. It is unfair to small businesses," noted a retailer of artisan goods in Kentucky.



Of the respondents who are considering joining Marketplace, the most common reasons cited for propelling them to do so were that more of their customers are shopping on Amazon (40 percent) and that traffic on their business's own website is down (40 percent).

Concentrated Market Power: Mergers, Credit Card Fees, and Digital Ad Markets

Growing concentration, particularly among suppliers that control access to critical goods and services, was identified by survey respondents as a major factor undermining their ability to compete and succeed.

Mergers – More than one-quarter of respondents – and one-third of retailers– indicated that mergers in their industries "are creating an unfair playing field." In a separate question, 40 percent of retailers and nearly 30 percent of manufacturers and other non-retail businesses indicated there had been a significant merger in their industry within the last five years.

In response to an open-ended comment question, respondents named several specific mergers that had affected their businesses, including the Penguin-Random House merger in the book industry, buy-outs of craft breweries and distilleries by multinationals in the food and beverage sector, the tie-up of Expedia-Orbitz in the travel services sector, Amazon's acquisition of Whole Foods, Staples's purchase of Essendant in the office products channel, and growing concentration in the healthcare and banking sectors.

More concentration among suppliers has led to higher prices and made negotiating reasonable terms more difficult, respondents noted. "The FTC [Federal Trade Commission] allowing Staples to purchase Essendant was a huge blow to the Independent Dealer Channel and will drive up pricing to all consumers," noted an office supply and office furniture dealer in Pennsylvania. Essendant is one of only two wholesalers that supply office products dealers.

In addition to higher supplier prices, respondents observed other negative impacts from these deals, including less flexibility, less choice, less product diversity, and lower product quality. "I am concerned about the consolidation of independent vendors, not least because of the pressures I know that is putting on some of the smaller publishers – as well as the amplified voice it is giving a smaller range of titles," said a bookseller in California.

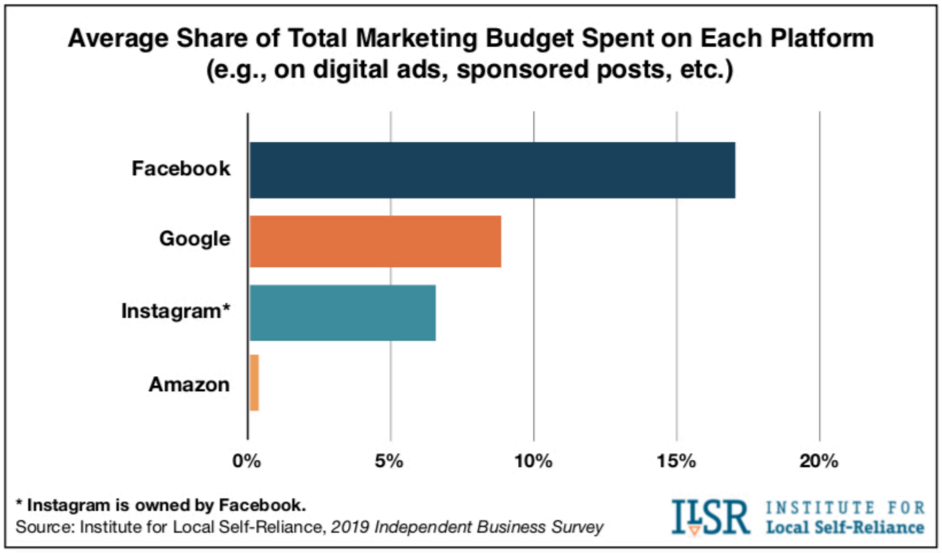
More concentration among suppliers has led to higher prices and made negotiating reasonable terms more difficult, respondents noted.

Credit and Debit Card Processing – One area of concentrated supply that's impacting independent businesses across multiple industries is credit and debit card processing. Visa and MasterCard dominate this market, and businesses can hardly refuse to accept their cards. This gives the card companies the power to impose fees on merchants that are far in excess of the cost of processing these transactions,[5] with little risk of losing them as customers.

In our survey, independent retailers reported that they are spending an average of more than three percent of their total revenue on swipe fees to process credit and debit cards.

Given this high cost, it's not surprising that a majority of retailers (53 percent) and more than one-third of non-retailers (36 percent) said that credit card swipe fees are one of their top public policy issues.

Digital Ad Markets – Another area of supplier concentration that is affecting independent businesses is the digital ad market. Increasingly, Facebook, Google, and, Amazon are gatekeepers for businesses looking to market their goods and services. Survey respondents reported that these three companies together account for one-third of their total marketing budgets (including both online and offline advertising). Facebook, which owns Instagram, captures the largest share by far, accounting for 24 percent of survey respondents' total marketing budgets.



Most independent businesses buy advertising on these platforms, the survey found. Facebook was the most commonly used platform, with 82 percent of respondents indicating some digital ad spending on its platform. About 68 percent of businesses reported buying ads on both Google and Instagram, while 62 percent said they had spent marketing dollars on Amazon.

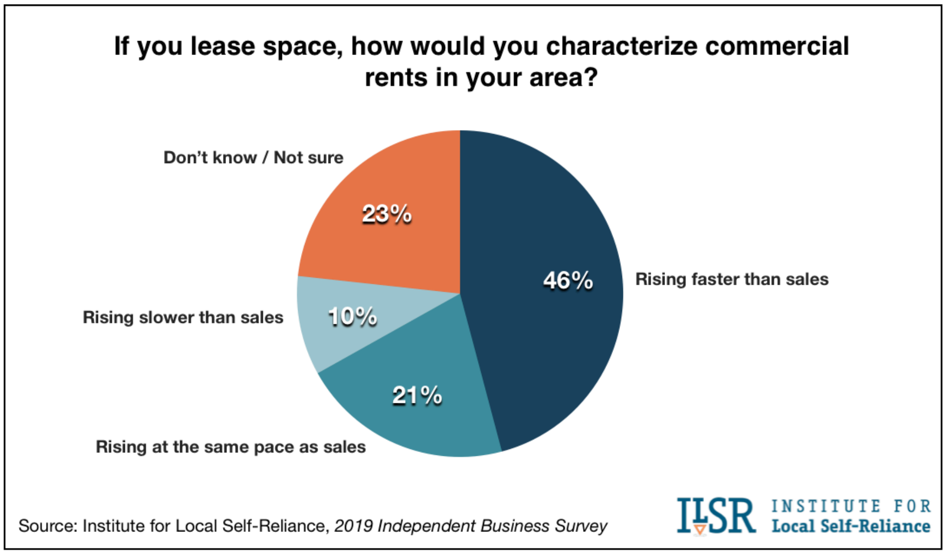
Affordable Commercial Space

A lack of affordable space is another barrier facing independent businesses, particularly those in urban areas. Overall, one-quarter of respondents rated the high cost of leasing or buying space as a significant challenge (giving it a score of either 4 or 5). This share was higher among retailers, at 30 percent.

Among retailers that lease their space, nearly half (46 percent) reported that "Rents have been increasing faster than my sales." Only ten percent said that rents have been growing slower than their sales. (About 70 percent of retailers lease their space, while 30 percent own it.)

For businesses that identified their location as a city (as opposed to a suburb, small town, or rural area), a higher share, 52 percent, said commercial rents have been increasing faster than their sales. Only six percent of urban businesses said rents have been rising slower than sales.

(In a 2016 report, *Affordable Space: How Rising Commercial Rents Are Threatening Independent Businesses, and What Cities Are Doing About It*, we documented steep increases in commercial rents across multiple cities.[6])



Some respondents described how real estate speculation is warping local business districts in ways that both shut out independent businesses and fail the needs of residents.

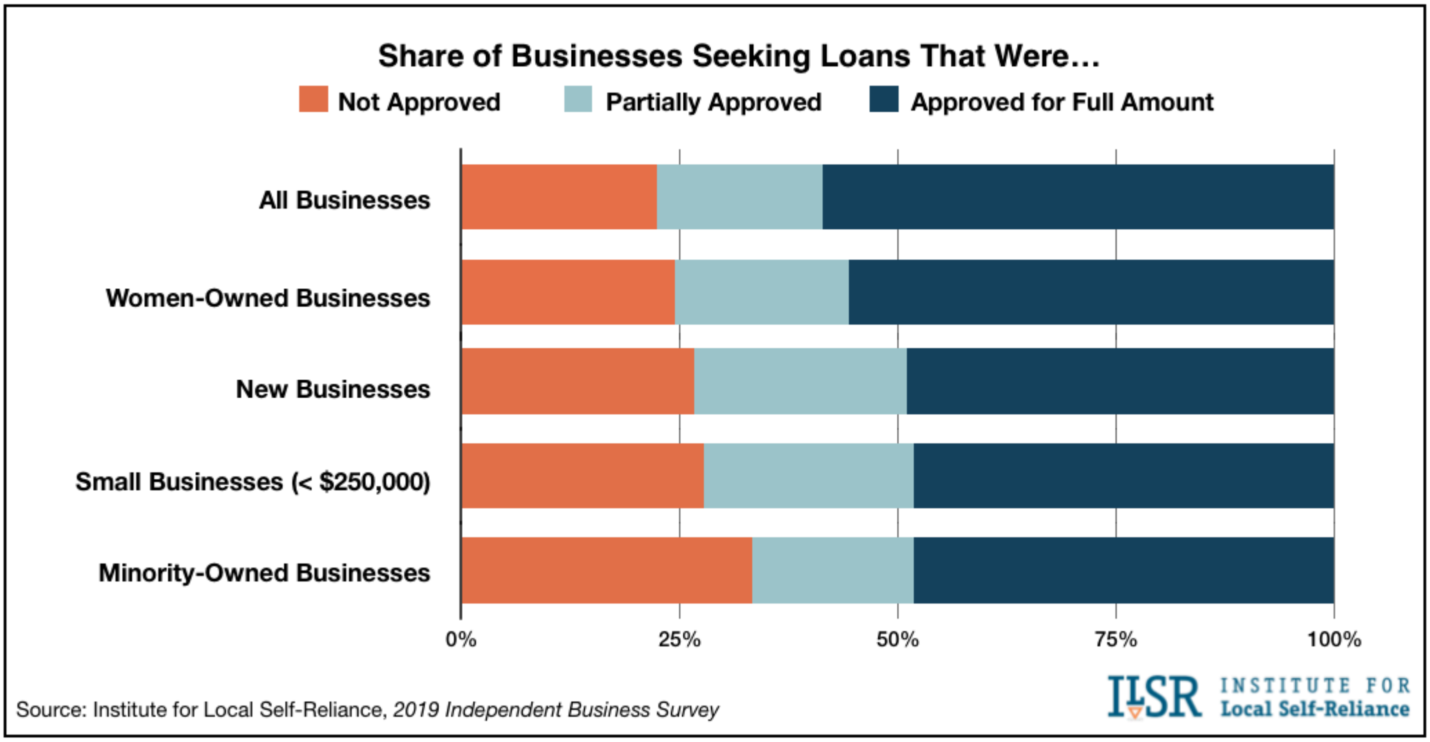
In comments, some respondents described how real estate speculation is warping local business districts in ways that both shut out independent businesses and fail the needs of residents. In Cambridge, Mass., for example, a store owner reported that finance companies have been "purchasing large amounts of commercial rental properties… forcing out local tenants and bringing in 'equity' driven companies who will pay their over-inflated rents or leaving retail spaces as dark storefronts, while taking tax breaks on them."

Although it's not a viable option for many businesses (not least because of restricted access to capital, as discussed below), one way some have responded to rising rents is by buying their buildings. In the comments, several respondents noted that they sought commercial mortgages as a direct result of rising rents. "Because of the significant increases in rent in our city, we opted to purchase a building that needed a lot of TLC," noted a service provider in Portland, Maine. "We were able to work with a community bank and the SBA to fund the purchase and renovations."

Access to Loans

Many independent entrepreneurs are having a hard time securing financing to start or grow their businesses. While only a minority of respondents cited access to financing as a significant challenge (giving it a score of either 4 or 5), this is partly a reflection of the fact that, at any given time, most businesses are not seeking financing. But among those who are, access to loans is a major concern. The survey found that this was an especially acute problem for new businesses (those started in the last five years), one-third of which reported that obtaining financing was currently a significant challenge.

Survey respondents were asked a series of questions about their experiences seeking business loans. Roughly one in four applied for a loan within the past two years. Of these, 41 percent were either unable to obtain a loan or received a loan for less than the full amount they needed.

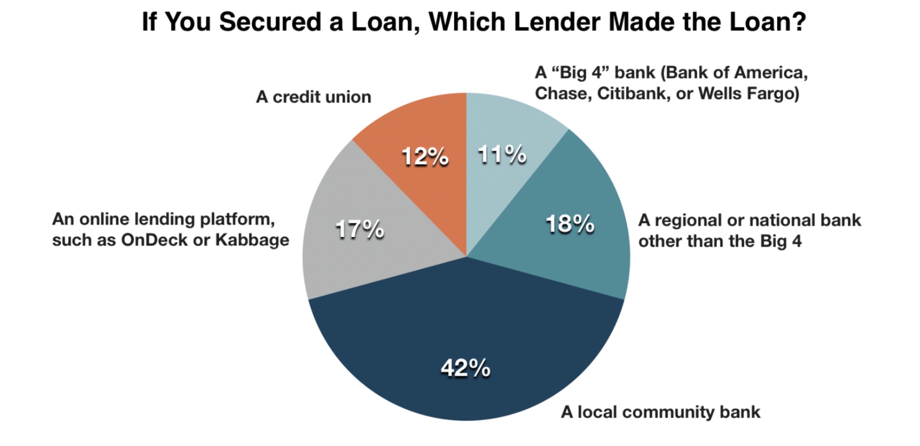


Businesses that are either new, smaller, minority-owned, or women-owned had a tougher time securing financing than the average independent business in our survey.

Among new businesses, fewer than half of those that sought a loan in the last two years were able to secure the financing they needed. "We were trying to get a loan to start a new business, but were repeatedly told we could not get a loan… without being established for a certain amount of time," noted the owner of a new bookstore in California.

Entrepreneurs of color were also significantly less likely to obtain the financing they needed. One-third of those who applied for a loan in the last two years indicated not getting approved at all, while 19 percent received a loan for less than the full amount they sought. Among women-owned businesses, 20 percent found a lender but received a loan for less than their full request, while 24 percent were not approved at any level.

Among those businesses that secured a formal loan in the last two years, many relied on a community bank. While these small, locally owned banks represent only a modest share of the market, accounting for 17 percent of the banking industry's assets, they play an outsized role in funding small businesses. For those surveyed who succeeded in getting a loan, 42 percent reported that the loan was made by a community bank. Only 11 percent were financed by one of the "Big 4" banks, which together account for 40 percent of the industry's assets. Of the remaining businesses that obtained a formal loan, 18 percent reported receiving a loan from a regional or national bank (other than the "Big 4"), 17 percent from an online lending platform, and 12 percent from a credit union.



Source: Institute for Local Self-Reliance, *2019 Independent Business Survey*

Nearly 200 survey respondents offered detailed comments about their experiences seeking financing, which we analyzed for trends and patterns.

In general, respondents who described approaching or working with community banks, credit unions, and some regional banks reported positive experiences, whereas most of those who dealt with one of the megabanks reported negative experiences.

"We've had a relatively easy time obtaining loans from our local community bank," said a Wisconsin-based food and drink manufacturer, echoing dozens of similar comments. "They know our business and our community, and are very willing and understanding to give loans in situations where other banks would not. They are part of our community, and act as such."

In a comment typical of the negative experiences, a North Carolina entrepreneur sought start-up loans from both Bank of America, which is headquartered in Charlotte, and Wells Fargo, but had little luck: "We tried to apply for a business start-up loan with BOA [Bank of America] since we bank with them personally but we [were] told that they didn't do business loans without 3 years of business finances. We opened business accounts with WF [Wells Fargo] and we[re] given a very small LOC [Line of Credit], $5,000, and a business credit card for $10,000 but they wouldn't approve us for any loans….We had to finance our start-up expenses with a personal HELOC [Home equity line of credit] and credit cards."

When the big banks came up short, respondents who turned to local banks often found success. "I had a horrible experience with Citizens Bank, when I got funding to start a second business," noted a bookstore owner in Delaware. "[I] got my loan but then fell through a major crack in their system at a critical point in the loan's maturity. They left me hanging for months, so I approached a local bank and got all of the funding I needed. It's not trump-level funding, but it keeps my tiny boat afloat."

Certain kinds of obstacles to obtaining financing surfaced repeatedly in the comments. Many entrepreneurs said that their loan applications were evaluated not on the basis of their business's financials, but rather on their personal finances, and that they were required to put up personal collateral, such as their homes. For entrepreneurs lacking home equity or saddled with student debt, this could block their ability to start or grow a business. As a business in North Carolina noted, student loan debt "kept me from being approved for a business loan for my established (13 year old) business."

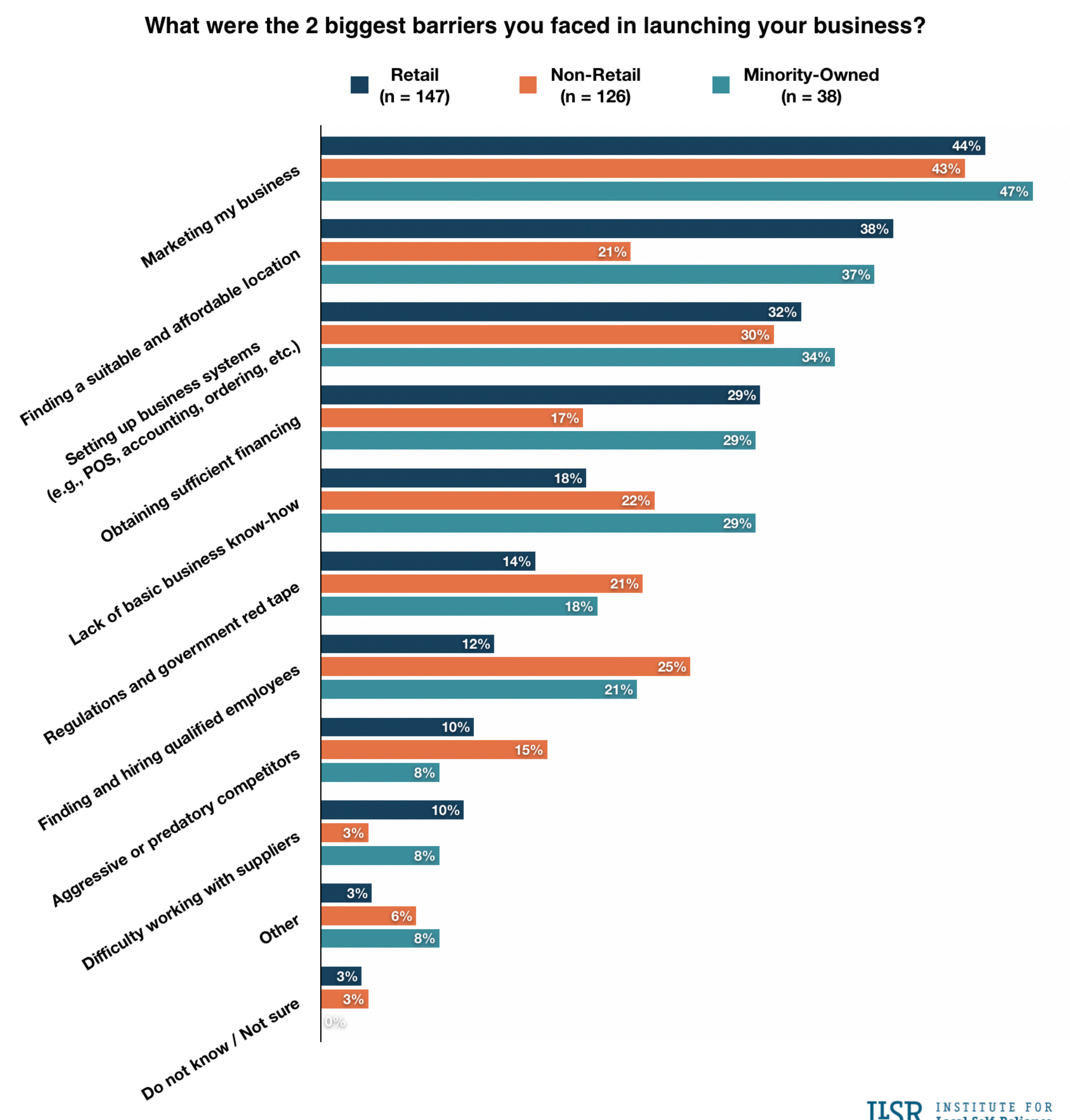
"We've had a relatively easy time obtaining loans from our local community bank," said a Wisconsin-based food and drink manufacturer. "They know our business and our community."

Businesses that have unusual ownership structures, such as cooperatives, or that operate in niche sectors, also struggled to secure loans because of a lack of familiarity or comfort with their business models among lenders.

Several of those who commented said they had received loans backed by the U.S. Small Business Administration's loan guarantee programs and cited the importance of SBA loans for businesses unable to secure a conventional loan. Relying on the SBA came with a particular risk, though: For those with loan approvals in process in late 2018 and early 2019, the government shutdown was a costly and debilitating disruption, several affected respondents noted.

Barriers to Launching a New Business

The survey's findings highlighted several areas in which entrepreneurs trying to start new businesses faced particular impediments and would benefit from additional support, resources, and policy changes. Independent businesses that opened within the last five years were asked about the biggest barriers they faced when launching their business. The results are presented in the graph below.

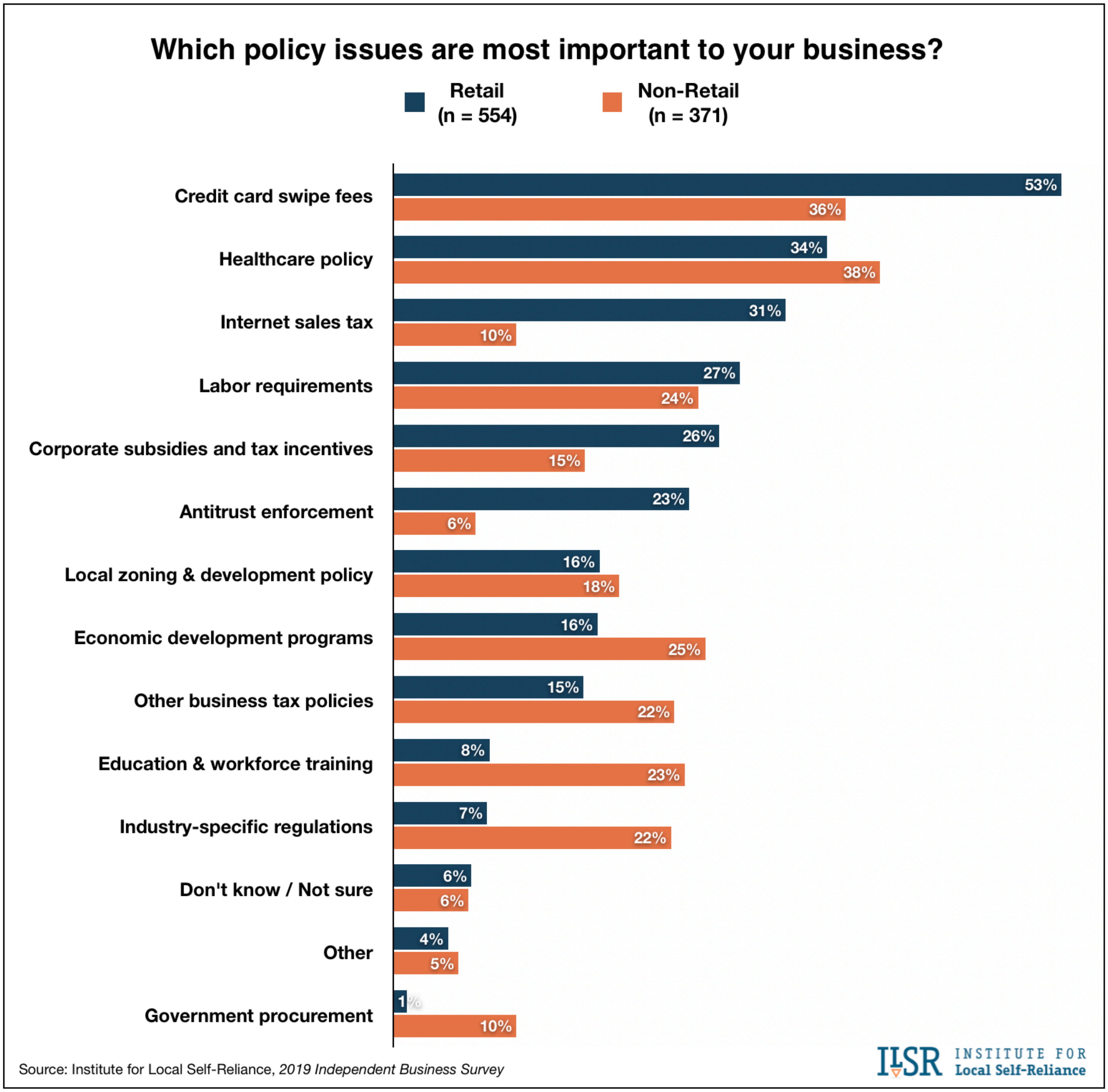


Source: Institute for Local Self-Reliance, *2019 Independent Business Survey*

Top Public Policy Issues for Independent Businesses

Asked which public policy issues are most important to their businesses, regulating credit card swipe fees and healthcare policy ranked as the top issues among respondents.

Among the independent retailers surveyed, several issues central to achieving a fair playing field relative to their big competitors ranked high. Credit card swipe fees, Internet sales taxes, corporate subsidies and tax incentives, and antitrust policy all ranked in the top six issues for retailers, alongside healthcare policy and labor requirements.

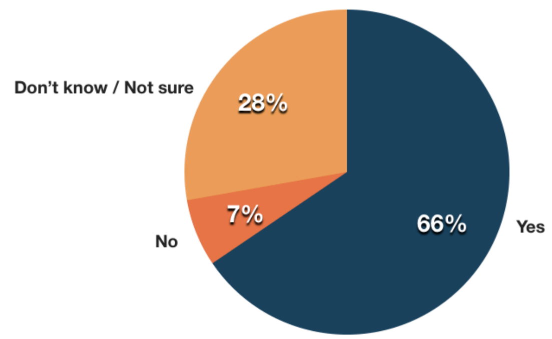


Among non-retailers, economic development programs, education and workforce training, industry-specific regulations, and government procurement were significant issues, after healthcare policy and swipe fees.

Businesses were then asked several questions about specific policy issues.

When asked whether they think "regulators should more vigorously enforce antitrust laws against large, dominant companies," a large majority (66 percent) agreed, while just seven percent disagreed. Some 28 percent respondents chose "don't know / not sure" in response to this question, which may reflect a lack of public knowledge of antitrust policy. "I do not know what antitrust is," wrote a hair salon owner in Phoenix. "I would like to know."

Should regulators more vigorously enforce antitrust laws against large, dominant companies?



Source: Institute for Local Self-Reliance, *2019 Independent Business Survey*

Businesses were then asked to evaluate the job antitrust enforcement officials are doing in their own industries to police anti-competitive behavior by dominant firms. A large share (40 percent) said they didn't know. Among those who did rate how the antitrust agencies are performing, a sizable majority, 70 percent, said "very poorly" (44 percent) or "poorly" (26 percent). In contrast, only six percent rated antitrust officials as doing their job "well" or "very well."

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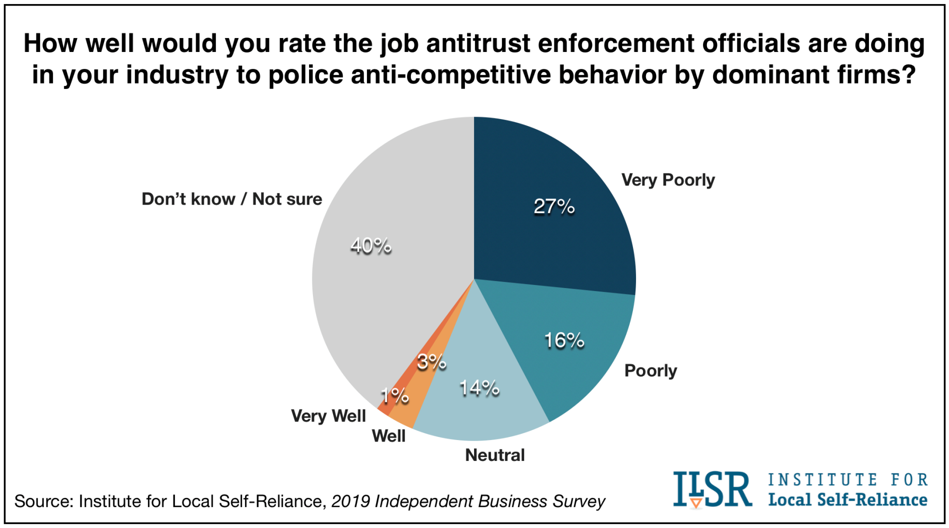
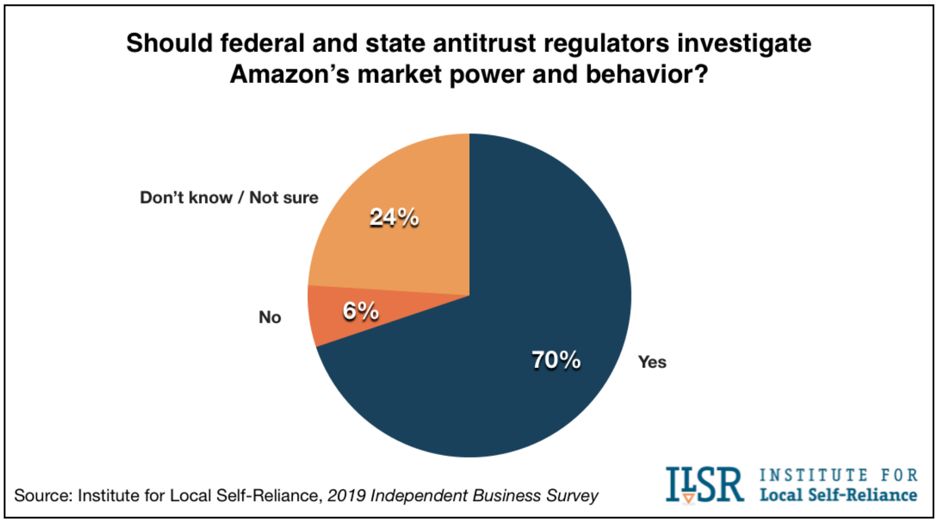


With regard to Amazon in particular, a large majority (70 percent) said that federal and state antitrust regulators should investigate the company's market power and behavior. Only six percent disagreed.



In the comments, businesses described specific ways that they believe Amazon exploits its market power to undermine competition. Alongside concerns about Amazon's position as the dominant platform for e-commerce, another commonly cited issue was the company's practice of selling items below cost. "They are buffeted by such a massive influx of income from their non-retail divisions that they can afford to sell key items at a loss, thus driving even more vendors out of business," noted a retailer in Illinois. "They have deliberately devalued the products I sell (books) just to seize power in the market," a bookseller in upstate New York said.

Some pointed to federal officials' failure to block Amazon's acquisitions. "With their acquisition of Whole Foods, it's only a matter of time before Amazon dominates the grocery [and] food business, much the same way that Walmart has done,' said a grocer in New Hampshire.

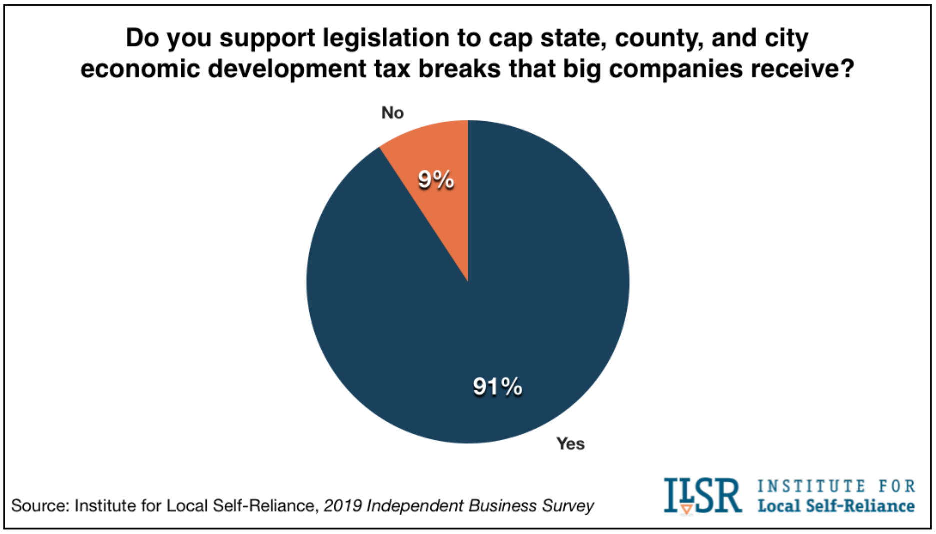
"Breaking up the Amazon monopoly is probably the number one achievement that the federal government could undertake to make the independent business economic climate fair," a retailer in Colorado commented.

Many respondents also noted the ways that lopsided tax policies distort competition by giving Amazon an advantage that smaller businesses lack. "Amazon is building a second headquarters location in our county and is receiving tax incentives from both state and local governments," said a Virginia retailer. She added: "Amazon made over $11B in profits in 2018 and paid no federal income tax while my store, which made a small profit, paid thousands."

"Amazon made over $11B in profits in 2018 and paid no federal income tax while my store, which made a small profit, paid thousands," said a Virginia retailer.

On a related topic, respondents expressed strong views on tax incentives and other economic development subsidies that tip the scales in the favor of big businesses. Nearly all respondents (91 percent) support legislation in their state to cap the dollar value of economic development tax breaks that big companies can receive from state and local governments.

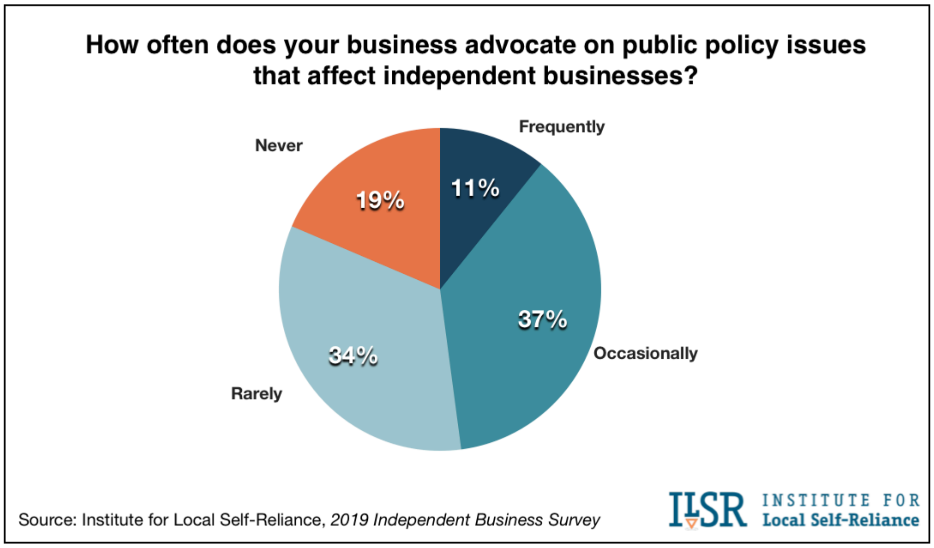
"Our city is using our taxpayer 'economic development' dollars mostly to entice large corporations… It's contributing to the concentration of capital and we are NOT seeing any accountability for how many jobs are being 'created' or brought to our community by these dollars. It's not transparent or accountable," noted a grocery store owner in Kentucky. "We feel it is very important to the health of communities to retain local businesses and offer them the same support and tax advantages as megabusiness," a retailer in Alaska commented.



Frustration over the political power that large corporations wield surfaced repeatedly in the comments survey respondents provided. "Independent businesses are the backbone of the economic structure in America and due to lobbyists, special interests, and other factors, we no longer compete on a level playing field," said an office supply dealer in Arizona. "While I am never for more government regulation and interference in the free market," added a toy retailer in South Carolina, "I do think there needs to be less lobbying and back door dealing with government and big corporations."

Given the pivotal importance these issues and barriers are to the future of independent businesses, it's not surprising that half of respondents reported advocating frequently (11 percent) or occasionally (37 percent) on public policy issues that affect their businesses.

"I do think there needs to be less lobbying and back door dealing with government and big corporations," noted a toy retailer in South Carolina.



Notes

[1] "Independent Retailers and the Changing Retail Landscape." Institute for Local Self-Reliance, Nov. 2017. Available at https://ilsr.org/changing-retail-landscape/

[2] "Monopoly Power and the Decline of Small Business." Stacy Mitchell, Institute for Local Self-Reliance, Aug. 2016. Available at https://ilsr.org/monopoly-power-and-the-decline-of-small-business/

[3] "Key Studies: Why Local Matters." Institute for Local Self-Reliance, Jan. 8, 2016. Available at https://ilsr.org/key-studies-why-local-matters/

[4] "Declining Business Dynamism: What We Knew?" Ryan A Decker et al., American Economic Review, May 2016. Available at https://www.aeaweb.org/articles?id=10.1257/aer.p20161050

[5] The actual cost of processing credit and debit card transactions has fallen by more than half over the last decade, according to the Federal Reserve. The average cost to the card companies is now about 3.6 cents per transaction. Yet the swipe fees that businesses pay for this service remain very high. A $50 purchase costs a business roughly $1.50 in swipe fees, a substantial markup for the card companies and card-issuing banks. "2017 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions." Board of Governors of the Federal Reserve System, March 21, 2019. Available at https://www.federalreserve.gov/paymentsystems/files/ debitfees_costs_2017.pdf

[6] "Affordable Space: How Rising Commercial Rents Are Threatening Independent Businesses, and What Cities Are Doing About It." Olivia LaVecchia and Stacy Mitchell, Institute for Local Self-Reliance, April 20, 2016 Available at: https://ilsr.org/affordable-space